



IN REPLY REFER TO:

United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
Washington, D.C. 20240

JUL 24 2007

Dear Tribal Leader:

On November 17, 2006, the Bureau of Indian Affairs issued a letter to the tribal leadership outlining the process of implementing the Contract Support Cost (CSC) policy signed on May 8, 2006. In that letter we stated that we would begin implementation of the CSC policy in FY 2007 pending the receipt of new appropriations to begin the payment of Direct Contract Support Costs (DCSC). This letter explains the methodology utilized to implement the new policy.

The Bureau's FY 2007 funding level represented the FY 2006 level with adjustments. The Bureau was allowed to adjust the funding level for FY 2007 and included an additional \$11.0 million for the payment of CSC. However, the additional funds could not be used immediately because the FY 2006 funding cap was still in effect. The cap prevented the Bureau from spending these funds on contract support costs.

Subsequently, Congress developed a supplemental defense spending bill which included technical language to address the spending cap and allowed the Bureau to use the additional \$11 million to pay contract support costs.

As a result, the Bureau distributed contract support costs based on the FY 2006 appropriation level. The distribution funded the exact amount of dollars for indirect cost (IDC) which the tribes received in FY 2006. We requested a data call from the Regional Offices to identify correct funding amounts and to assure that all contracting tribes are included in the distribution process.

After the data call is successfully completed, a further distribution will be made. This distribution will be about \$9 million. This distribution will address the additional funding increase. The additional funding will be applied to those tribes with an adjusted dollar amount resulting from the data call. This funding should provide for 100% of IDC needs.

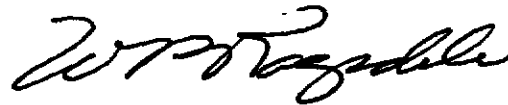
Any remaining dollars will be applied to an initial payment of direct contract support costs (DCSC). The Bureau will begin payment based on 15% of salaries. These payments will be made to the tribal contractors through their respective regional office. The tribal contractors will not be required to make an application for these funds.

All CSC funding will be exhausted after the initial payment of DCSC to tribes occur. This methodology establishes a recurring funding level for each tribe.

There will be no additional funding available until new appropriations are received. Upon receipt of new appropriations, those tribes who receive less than 100% of IDC and DCSC will be given additional funding to be brought closer to the 100% funding level. This process will begin with those tribes who are furthest away from being completely funded.

If you have any questions regarding the distribution methodology or the CSC policy, please contact Mr. Ed Mouss, Self-Determination Division Chief (Acting), at (202) 513-7616.

Sincerely,

A handwritten signature in black ink, appearing to read "W. T. Ragsdale", is written over the typed name.

Director, Bureau of Indian Affairs